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STATE FOR P (FAGIN), PM/RSAT, EAP/FO, EAP/RSP, AND EAP/ANP
NSC FOR VICTOR CHA
SECDEF FOR OSD/ISA (JPOWERS)
PACOM FOR J01E/J2/J233/J5/SJFHQ

E.O. 12958: DECL: 09/28/2016

TAGS: [PGOV](#) [PREL](#) [ECON](#) [MOPS](#) [NZ](#)

SUBJECT: DELAY IN USG APPROVAL OF NEW ZEALAND'S A-4 PLANE SALE A
FISCAL AND POLITICAL HEADACHE FOR GNZ

REF: A. 9/21/06 RICCI/EMBASSY E-MAIL (NOTAL)
[1](#)B. 8/29/06 RICCI/EMBASSY E-MAIL (NOTAL)
[1](#)C. WELLINGTON 449

Classified By: Charge d'Affaires David J. Keegan,
for reasons 1.4(b) and (d)

[1](#)1. (SBU) This message contains an action request at para
[1](#)8.

[1](#)2. (C) Summary: The New Zealand Defence Force is evaluating how the further delay or cancellation of the GNZ's proposed sale of its last air combat planes to a private U.S. buyer could impact defense planning. NZDF will probably be able to readjust its spending to make up for the shortfall, or else may ask the Government for additional funds. The political ramifications of the delay could be more difficult for the Government: the opposition National Party claims that Labour purposely presented the sale as a done deal before the election in order to gain votes. The Nat's linkage of the issue to Labour's campaign could not come at a worse time for the Government, already facing voter unrest over its clumsy handling of accusations that the party knowingly misused taxpayer money on its campaign. Embassy Wellington anticipates media interest in this case, and would appreciate guidance soonest. End Summary.

[1](#)3. (C) Ref A reported that a September 21 meeting between PM Assistant Secretary Hillen and New Zealand Ambassador Roy Ferguson on September 21 identified two factors complicating New Zealand's proposed sale of its A-4 Skyhawk attack aircraft to a U.S. private company:

i) the proposed sale of U.S. combat aircraft to private hands in the U.S. raises new U.S. policy concerns in the post 9/11 era. Comments from the Departments of Homeland Security and Defense are still pending before the State Department can make its decision, and

ii) there are several active investigations on the resale of "non-demilitarized" property, some of which DoD may refer to the Department of Justice for possible criminal proceedings.

Implications for NZDF: Show Me the Money

[1](#)4. (C) The delay in the sale could negatively affect New

Zealand Defence Force (NZDF) planning. Last month (Ref b), Vice Chief of the NZ Defence Force (NZDF) David Bamfield told DoD that GNZ has included money from the sale as part of NZDF's 2007 naval budget. At that time, NZDF Assistant Chief for Development Brigadier Rhys Jones told the DATT that NZDF's Long Term Development Plan (LTDP, see ref C) assumes the money from the sale will be available for the Defense Force's general use in future years. While it is not specifically tied to the Navy's budget, Rhys Jones said the upgrades for the navy's ANZAC Frigates are the most likely program to be affected if the sale does not go through.

15. (C) On September 26, Deputy Secretary of Defense Christopher Seed confirmed to the DATT that the NZDF Long Term Development Plan (LTDP) includes money from the sale of the eight A-4 Skyhawk fighters and eight Aeromacche fighters as the source of funding for various LTDP and other Defense programs. He also confirmed that although the sales are not directly tied to navy programs, the ANZAC frigate upgrades are most likely to be affected because of NZDF's spending schedule.

16. (C) Seed said the Government would have to look at a range of options to manage the shortfall of funds if the sale does not go through. These could include a decision to sell the eight Aeromacches separately since they do not require U.S. approval, which would net an estimated NZD 75 million out of the estimated NZD 110 million expected for the sale of all 16 planes. Another option would be to make adjustments to the planned redevelopment of Ohakea Air Base; to replace or make changes to the planned maintenance and upgrades to New Zealand's only supply ship, HMNZS Endeavour; or to request that the Government allocate more money to the LTDP. Seed seemed confident that if the sale is delayed NZDF could find ways to adjust its spending to

do everything planned under the LDTP, using the funds from the sale once it goes through. He indicated that while the GNZ has not yet calculated the costs or implications if the sale is canceled, they are beginning to consider the possibility.

Yet Another Potential Election Problem for Labour

17. (C) While the NZDF may be able to adjust its spending if the A-4 sale is delayed or canceled, the Government will likely have a harder time dealing with the political ramifications. The deal to sell the Skyhawks and Aermacchis was announced two weeks before the September 2005 general election. The opposition National Party has recently asked Defense Minister Goff for a full explanation of why the deal remains stuck a year later, and has pointed out that the planes' continued maintenance is costing taxpayers an estimated NZD 130,000 (USD 82,000) a month, on top of the NZD 1.5 million (USD 945,000) already paid in agents fees. National's Defense spokesman Murray McCully has accused Mark Burton Minister for Defense at the time of the announced sale, of "pre-election window dressing" for having trumped up the sale without indicating it might be difficult to get USG approval. In response, current Defense Minister Phil Goff said the Government's announcement of the sale noted that it was contingent on State Department clearance, a process which the GNZ has been unable to speed up. Goff also pointed out that because of the limited market there are no other buyers on the horizon.

Comment and Action Request

18. (C) While Kiwi voters do not normally focus on defense issues, this case may prove an exception. National will use the delayed or canceled sale to reinforce its contention that the Government has not only misled the public but also has once again exercised bad judgment on a defense matter.

The Labour Government has been criticized for poor defense procurement decisions in recent years and its 2001 decision to disband the combat air wing was strongly derided by National and former defense officials at the time. In addition, National's claim that the Government used the sale as an election ploy ties into its broader effort to attack Labour for its 2005 election tactics. Labour is already flailing badly over its decision to defy the findings of a soon-to-be- released Inspector General report that says Labour illegally spent taxpayer money for its campaign.

19. (C) Action Request: We understand that Washington agencies are working on talking points that Mission New Zealand can use to answer future media inquiries about this case. Although the Parliamentary recess has pushed the issue off the front pages for now, we anticipate we will get questions so would appreciate receiving guidance soonest.

Keegan